

High base, Covid impact weigh on numbers...

Revenues remained flat at ₹ 4376 crore YoY due to 25.1% YoY decline in US revenues to ₹ 856 crore, attributable mainly to high base of gSensipar. On the other hand, domestic formulations grew 15.3% to ₹ 1730 crore. EBITDA margins fell 735 bps YoY to 14.5% mainly due to a sharp drop in gross margins (61.4% vs. 66.3% in Q4FY19). EBITDA de-grew 34.1% YoY to ₹ 633.5 crore. Net profit fell 33.0% YoY to ₹ 246.0 crore due to a below expected operational performance. Delta vis-à-vis EBITDA was due to lower depreciation.

Product launches, front-end shift key for formulation exports

Formulation exports comprise ~54% of FY20 revenues. The company is focusing on front-end model, especially for the US, along with a gradual shift from loss making HIV and other tenders to more lucrative respiratory and other opportunities in the US and EU. We expect export formulation sales to grow at 10.9% CAGR to ₹ 11377 crore in FY20-22E. Key drivers will be a launch of inhalers (drug-device) and other products in developed markets.

Indian formulations growth backed by new launches

With ~5% market share, Cipla is the third largest player in the domestic formulations market. The acute, chronic and sub-chronic revenues for the company are at 41%, 45% and 14%, respectively. Domestic formulations comprise ~39% of total FY20 revenues. It commands ~21% market share by value in the respiratory segment. We expect domestic formulations to grow at 12% CAGR in FY20-22E to ₹ 8288 crore driven by improved productivity of the newly inducted field force and product launches besides realignment of the portfolio in sync with its 'One-India' portfolio rationalisation exercise.

Valuation & Outlook

We continue to focus on the management's long-drawn strategy of targeting four verticals viz. One-India, South Africa & EMs, US generics & specialty and lung leadership. Recent first generic approval by USFDA for Albuterol sulphate (Proventil HFA) amid rise in demand for Albuterol products in the ongoing Covid-19 pandemic are a vindication for its lung leadership quest. While US focus will be on specialty including hospitals, value accretive generics, India focus will be on branded (Bx), trade generics (Tx). On the Africa front, Cipla continues to rebase its business model towards private business in the backdrop of shrinking tender opportunities. Another key aspect to watch would be R&D recalibration. Across the board transformation from tenderised model to private model in exports market and towards rapid consumerisation of important Tx, Bx in India bode well to change the investors' perspective. Our revised target price is ₹ 670 based on 22x FY22E EPS ₹ 30.2. We upgrade the stock from HOLD to **BUY**.

Cipla

Particulars

Particular	Amount
Market Capitalisation	₹45980 crore
Debt (FY 20)	₹2816 crore
Cash (FY 20)	₹1004 crore
EV	₹47792 crore
52 week H/L (₹)	633/354
Equity capital	₹161.2 crore
Face value	₹2

Key Highlights

- Q4 revenues remained flat due to higher gSensipar base in US and Covid-19 impact.
- GM was impacted by ~200bps due to deferment of ₹ 200 crore of margin accretive sales to Q1FY21 amid Covid
- Across the board transformation from tenderised model to private model in the exports market and towards rapid consumerisation of important Tx and Bx in India bodes well
- Upgrade from HOLD to BUY

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Key Financial Summary

(₹ crore)	FY19	FY20	FY21E	FY22E	CAGR (FY20-22E) %
Revenues	16362.4	17132.0	18812.1	20776.6	10.1
EBITDA	3097.3	3206.0	3546.1	4228.2	14.8
EBITDA margins (%)	18.9	18.7	18.9	20.4	
Adjusted PAT	1496.1	1546.5	1855.5	2434.4	25.5
Adj. EPS (₹)	18.6	19.2	23.0	30.2	
PE (x)	30.7	29.7	24.7	18.9	
EV to EBITDA (x)	15.3	14.5	12.9	10.3	
RoNW (%)	10.0	9.8	10.8	12.6	
RoCE (%)	10.9	12.0	13.0	15.4	

Source: ICICI Direct Research; Company

Exhibit 1: Variance Analysis

	Q4FY20	Q4FY20E	Q4FY19	Q3FY20	YoY (%)	QoQ (%)	Comments
Revenue	4,376.2	4,261.2	4,404.0	4,371.0	-0.6	0.1	Strong growth in domestic formulations largely offset by high base of gSensipar in the US and lockdown impact of ~₹ 200 crore in domestic and EMs
Raw Material Expenses	1,688.9	1,512.7	1,485.8	1,645.0	13.7	2.7	
Gross Profit	2,687.3	2,748.5	2,918.2	2,726.0	-7.9	-1.4	
Gross Margin (%)	61.4	64.5	66.3	62.4	-486 bps	-96 bps	Declined mainly due to adverse product mix
Employee Expenses	763.7	767.0	712.5	745.5	7.2	2.4	
Other Expenditure	1,290.0	1,237.1	1,244.7	1,222.2	3.6	5.6	
Total Operating Expenditu	3,742.7	3,516.8	3,442.9	3,612.7	8.7	3.6	
EBITDA	633.5	744.4	961.0	758.3	-34.1	-16.5	
EBITDA (%)	14.5	17.5	21.8	17.3	-735 bps	-287 bps	Missed vis-à-vis I-direct estimates mainly due to ~200 bps impact of Covid related cut-off
Interest	53.0	46.2	44.8	46.2	18.4	14.8	
Depreciation	345.8	277.9	510.3	277.9	-32.2	24.4	Included impairment charges
Other income	93.2	72.6	95.4	72.1	-2.3	29.2	
PBT before EO	327.9	492.9	501.3	506.4	-34.6	-35.2	
Less: Exceptional Items	0.0	0.0	0.0	0.0	0.0	0.0	
PBT	327.9	492.9	501.3	506.4	-34.6	-35.2	
Tax	85.6	143.0	127.8	152.8	-33.0	-44.0	
Tax Rate (%)	26.1	29.0	25.5	30.2	62 bps	-408 bps	
MI & Share of loss/ (gain)	-7.5	-11.7	-9.5	-11.7	NA	NA	
Adjusted PAT	246.0	347.4	367.2	351.0	-33.0	-29.9	Decline and miss vis-à-vis I-direct estimates mainly in sync with operational performance
Key Metrics							
Domestic	1730.0	1550.0	1500.0	1777.0	15.3	-2.6	YoY growth and beat vis-a-vis I-direct estimates mainly due to strong grow in both Rx (12%) and TGx (15%) segments despite lockdown impact
US	856.0	971.5	1143.0	946.0	-25.1	-9.5	YoY sharp decline mainly due to higher base of gSensipar. Miss vis-à-vis I-direct estimates mainly due to lower-than-expected performance of base business
EU	232.0	236.0	236.0	190.0	-1.7	22.1	
South Africa	532.0	554.0	513.0	594.0	3.7	-10.4	Constant currency growth was 10% YoY
RoW	708.0	644.4	716.0	559.0	-1.1	26.7	Muted growth mainly due to supply related constraints during lockdown
API	247.0	165.3	174.0	165.0	42.0	49.7	Growth driven by continued momentum in global seedings & lock-ins

Source: ICICI Direct Research

Exhibit 2: Change in Estimates

₹ Crore)	FY21E			FY22E			Comments
	Old	New	% Change	Old	New	% Change	
Revenues	18,795.1	18,812.1	0.1	20,581.9	20,776.6	0.9	
EBITDA	3,603.9	3,546.1	-1.6	4,155.1	4,228.2	1.8	
EBITDA Margin (%)	19.2	18.9	-32 bps	20.2	20.4	16 bps	
PAT	1,799.2	1,855.5	3.1	2,198.0	2,434.4	10.8	Changed mainly due to change in tax rate as per management guidance
EPS (₹)	22.3	23.0	3.1	27.3	30.2	10.8	

Source: ICICI Direct Research

Exhibit 3: Change in Estimates

₹ crore)	Current			Earlier			Comments
	FY19	FY20	FY21E	FY22E	FY21E	FY22E	
Domestic	6,273.0	6,607.0	7,399.8	8,287.8	7,231.8	7,955.0	Changed mainly due to growth recovery in trade generics
Export Formulations	9,005.0	9,244.0	10,339.7	11,376.8	10,291.3	11,319.4	Changed mainly due to lower-than-expected US base business in Q4, currency impact in south Africa and Covid impact in EMs
API	699.0	751.0	788.6	828.0	711.9	747.5	Changed mainly due to better-than-expected growth in Q4

Source: ICICI Direct Research

Conference Call Highlights

- US: Sales for Q4FY20 at US\$118 million. FY20: US\$547 million
 - Decline in Q4FY20 attributable to high base of gSensipar, shelf stock adjustment + stabilizing of IP enabled opportunities
 - Going forward, base business to be ~ US\$120-130 million
- SA: Overall growth of 10% in local currency terms. Private business continued strong growth momentum with a market share of 6.9% (11% YoY growth in FY20)
 - Cipla became the largest OTC player with 7.1% of addressable market share
 - Sub-Saharan business impacted by receivables issues. CGA business was flat in Q4
- India: The Rx business grew 12% YoY and the Trade Gx business grew by 15%
 - One-India: progress on integrating 3 business Rx + Trade Gx + Consumer wellness
- Europe: Overall FPSM (Fluticasone Propionate + Salmeterol) pMDI market share is 20%
- EM: Business remained flat due to Covid-19 related logistical challenges
- Updates: Launched Albuterol inhaler in US (only approved generic of Proventil HFA). Launched Esomeprazole with FTF in US
 - The company is working with FDA for the IV Tramadol NDA submitted in December 2019 via Avenue Therapeutics
 - The company has successfully completed Phase 3 clinical study of generic Advair Diskus. No IP, timeline to be ~18-24 months
 - The company has also filed one complex inhaler in US. The 24-30 months timeline as IP exists. Another partnered product in phase-three clinical trial
 - Partnered with Gilead for Remdesivir rights
 - In India: Acquired four umbrella brands from Wanbury in nutraceutical segment to strengthen women's health portfolio
- Covid-19: Some logistical & operational challenges in March end. As a result, over ₹ 200 crore sales to high margin domestic & EM market have been deferred to Q1FY21. This delay has impacted EBITDA margins by ~200 bps in the quarter
 - The company has increased inventory of key APIs, intermediates and KSMs
 - Resources from low margin + non-critical products are being shifted to critical products
 - Capacity utilisation back at 85%, likely to be back to 100% by end May
 - US: higher digital prescriptions + longer scrip durations. India – started MR activities with more of virtual marketing
- Albuterol (brand name Proventil): ~60 million unit market in the US. As most doctor prescriptions are in the generic name the product is interchangeable. One more player is in queue. The company has announced a staggered launch, has adequate capacities

- R&D for the quarter was at ₹ 311 crore (7.1% sales). Going forward, rationalisation to bring down R&D costs
- FY21 tax rate to come down on adoption of new corporate tax regime
- LTD: US\$315 million; net debt/equity : 0.05
- The company will continue to focus on cost rationalisation and cash generation, going ahead
- Increase in other expenses was due to remedial costs (~1% of Q4 revenues) for the Goa plant. The management expects no further costs in subsequent quarters
- Sequentially, higher depreciation in Q4FY20 was due to some fiscal impairment charges

Exhibit 4: Trends in quarterly financials

(₹ crore)	14FY17	11FY18	12FY18	13FY18	14FY18	11FY19	12FY19	13FY19	14FY19	11FY20	12FY20	13FY20	14FY20	YoY (%)	QoQ. (%)
Net Sales	3487.0	3432.3	3988.2	3834.5	3495.8	3845.8	3947.9	3906.2	4271.0	3894.5	4264.2	4234.6	4301.6	0.7	1.6
Other Operating Inco	95.0	92.7	94.2	79.3	202.2	93.2	64.0	101.3	133.0	94.6	131.5	136.5	74.6	-43.9	-45.3
Total Operating Inco	3582.0	3525.1	4082.4	3913.8	3698.0	3939.0	4011.9	4007.5	4404.0	3989.0	4395.8	4371.0	4376.2	-0.6	0.1
Raw Material Expen:	1315.5	1176.7	1553.1	1378.4	1330.3	1423.9	1412.1	1462.7	1485.8	1196.3	1461.2	1645.0	1688.9	13.7	2.7
Gross Profit	2266.5	2348.4	2529.3	2535.4	2367.7	2515.1	2599.8	2544.9	2918.2	2792.7	2934.6	2726.0	2687.3	-7.9	-1.4
Gross Profit Margins	63.3	66.6	62.0	64.8	64.0	63.9	64.8	63.5	66.3	70.0	66.8	62.4	61.4	-485.6	-95.9
Employee Expenses	638.9	672.9	660.8	657.3	699.0	714.0	712.2	717.9	712.5	756.1	761.6	745.5	763.7	7.2	2.4
% of revenues	17.8	19.1	16.2	16.8	18.9	18.1	17.8	17.9	16.2	19.0	17.3	17.1	17.5	127.4	39.6
Other Expenditure	1121.4	1029.0	1064.1	1059.4	1111.8	1074.7	1185.3	1119.3	1244.7	1131.9	1263.4	1222.2	1290.0	3.6	5.6
% of revenues	31.3	29.2	26.1	27.1	30.1	27.3	29.5	27.9	28.3	28.4	28.7	28.0	29.5	121.6	151.7
Total Expenditure	3075.8	2878.6	3278.0	3095.2	3141.1	3212.6	3309.7	3299.9	3442.9	3084.4	3486.3	3612.7	3742.7	8.7	3.6
EBITDA	506.2	646.5	804.4	818.7	556.9	726.4	702.2	707.7	961.0	904.6	909.5	758.3	633.5	-34.1	-16.5
EBITDA (%)	14.1	18.3	19.7	20.9	15.1	18.4	17.5	17.7	21.8	22.7	20.7	17.3	14.5	-734.6	-287.3
Interest	33.4	27.9	42.0	9.2	35.2	35.1	44.4	44.2	44.8	52.1	46.1	46.2	53.0	18.4	14.8
Depreciation	632.2	213.4	302.2	522.4	284.8	241.0	281.9	293.1	510.3	268.0	283.0	277.9	345.8	-32.2	24.4
Other Income	22.8	151.4	113.3	52.9	40.0	170.1	132.6	78.5	95.4	78.4	100.5	72.1	93.2	-2.3	29.2
PBT	-136.6	556.6	573.5	340.1	276.9	620.4	508.5	448.9	501.3	662.9	681.0	506.4	327.9	-34.6	-35.2
Total Tax	-75.7	130.8	137.4	-64.2	46.2	173.7	142.4	125.7	127.8	192.2	200.6	152.8	85.6	-33.0	-44.0
PAT before MI	-60.9	425.8	436.1	404.3	153.2	446.7	366.1	323.2	373.6	470.7	480.4	353.6	242.3	-35.1	-31.5
Minority Interest	-1.0	16.1	12.4	2.9	-25.4	5.7	10.1	-10.0	-9.5	-31.0	9.7	-11.7	-7.5	-21.6	-36.0
Net Profit	-59.9	409.7	423.7	401.4	178.6	441.0	356.0	333.2	383.1	501.7	470.8	365.2	249.8	-34.8	-31.6
EPS (₹)	-0.7	5.1	5.3	5.0	2.2	5.5	4.4	4.1	4.8	6.2	5.8	4.5	3.1		

Source: ICICI Direct Research; Company

Company Background

Formed by Dr KA Hamied way back in 1935, Cipla is one of the oldest ventures set up by an Indian in the pre-independence era. With 34 manufacturing facilities spread over seven different locations, Cipla has a gamut of therapeutic offerings ranging from simple anti-infectives to complex oncology products. The product basket includes ~2000+ products encompassing almost all therapies and over 40 dosage forms. The facilities have been approved by various agencies such as the USFDA, WHO-Geneva, MHRA-UK, TGA-Australia, SUKL-Slovak Republic, APVMA-Australia, MCC-South Africa, PIC-Germany, Danish Medical Agency, Anvisa-Brazil, INVIMA Colombia, NDA-Uganda, Department of Health-Canada and MOH-Saudi Arabia, among others. So far, the company has not faced any cGMP issues or import alerts from any regulatory authorities.

Cipla's business model focuses on having marketing partnerships with local companies across the globe. Most partners are large generic players in developed countries. The company has partnership deals with ~22 partners in the US and ~65 in Europe. Cipla has also formed strategic alliances for product development, registration and distribution of its products. For non-regulated markets, the company has maintained long-standing relationships with non-government organisations and institutions globally. However, recent JVs and buying out front-end companies stakes in majority of its markets shows Cipla's clear intension to shifting its partnership model to own front-end model in almost all markets including the US.

Exports constitute around ~54% of total sales. The company exports both APIs and formulations to more than 170 countries including advanced regions such as the US and Europe. Cipla derives 23% of its export revenues from US followed by 13% from South Africa, 5% from Europe and 14% from RoW markets.

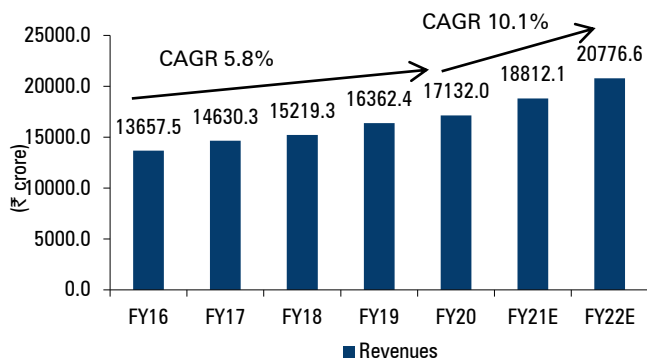
On the product filing front, Cipla has filed 259 ANDAs with the USFDA cumulatively (FY20) with 175 of them already approved and 22 tentative approvals. The company currently spends 7-8% of revenues on R&D.

The company acquired two US-based companies, InvaGen Pharmaceuticals and Exelan Pharmaceuticals. InvaGen Pharma has 40 approved ANDAs, 32 marketed products, and 30 pipeline products for which it expects to get approvals over the next four years. The above pipeline also includes five FTFs, which represent a market size of ~\$8 billion in revenue by 2018. The transaction is valued at US\$550 million and is an all-cash deal. Combined revenues of these two companies in CY14 were ~US\$200 million (~US\$225 million TTM June 2015) with EBITDA margins of ~25%. Its revenue grew at ~20% CAGR over the last three years.

In the domestic market, Cipla remains among the top five players, thanks to a gamut of product offerings, which covers almost all therapies built on a network of ~7500 medical representatives (MRs) covering a doctor base of ~5,00,000. As per MAT March 2020 AIOCD ranking, Cipla ranked third with a market share of 4.66%. Breaking it down further, its ranking in chronic therapies was at second.

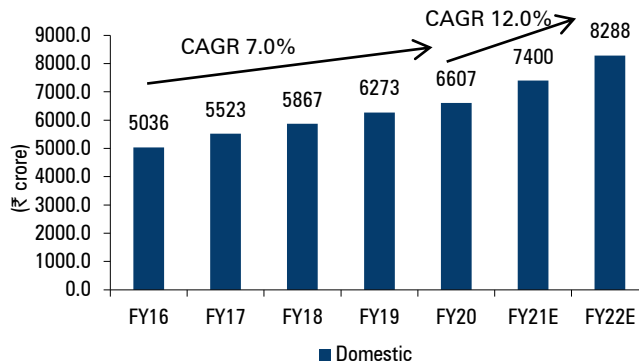
The company introduced Salbutamol tablets in 1976 and Salbutamol inhaler in 1978 for the first time in India. Since then, Cipla has consistently introduced new products for asthma, chronic obstructive pulmonary disease (COPD) and allergic rhinitis (AR). The company did the same in other diseases such as pulmonary arterial hypertension (PAH), lung cancer and idiopathic pulmonary fibrosis (IPF). More recently, the company got the first generic approval by USFDA for Albuterol sulphate (Proventil HFA) inhalation product.

Exhibit 5: Revenues to grow at CAGR of 10% over FY20-22E



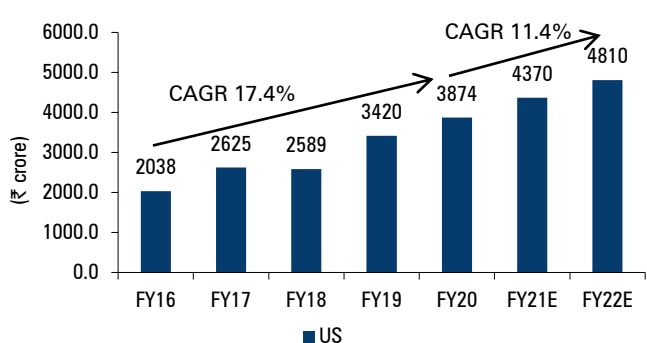
Source: ICICI Direct Research, Company

Exhibit 6: Domestic to grow at CAGR of 12% over FY20-22E



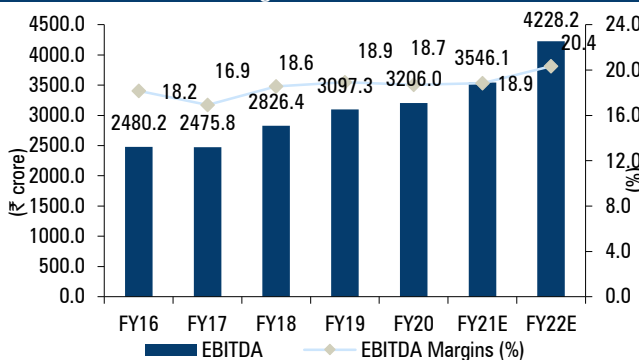
Source: ICICI Direct Research, Company

Exhibit 7: US to grow at CAGR of 11% over FY20-22E



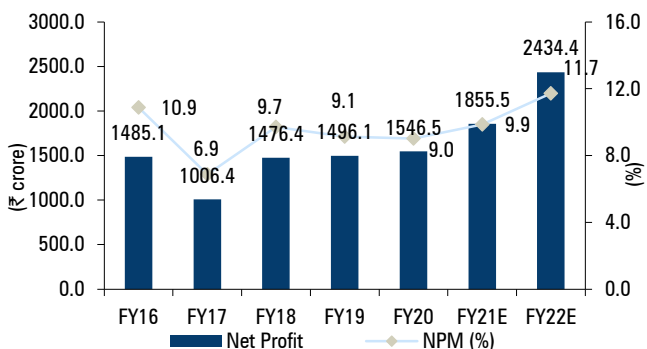
Source: ICICI Direct Research, Company

Exhibit 8: EBITDA & margins trend



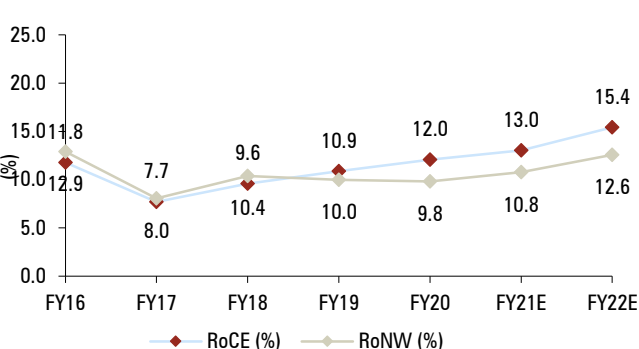
Source: ICICI Direct Research, Company

Exhibit 9: Net profit & margins trend



Source: ICICI Direct Research, Company

Exhibit 10: RoE & RoCE trend



Source: ICICI Direct Research, Company

Exhibit 11: Consolidated revenue break-up

(₹ crore)	FY16	FY17	FY18	FY19	FY20	FY21E	FY22E	CAGR FY20-22E %
Domestic	5036.0	5523.0	5867.0	6273.0	6607.0	7399.8	8287.8	12.0
Export Formulations	7798.0	8145.2	8237.2	9005.0	9244.0	10339.7	11376.8	10.9
US	2037.9	2625.0	2589.5	3420.0	3874.0	4370.3	4809.9	11.4
EU	543.4	545.0	623.0	700.0	813.0	935.0	1075.2	15.0
South Africa (Cipla Medpro)	1562.4	1828.8	2061.8	2148.0	2204.0	2314.2	2499.3	6.5
RoW	3396.5	3146.4	2970.7	2737.0	2353.0	2720.3	2992.3	12.8
APIs	752.0	523.0	626.0	699.0	751.0	788.6	828.0	5.0

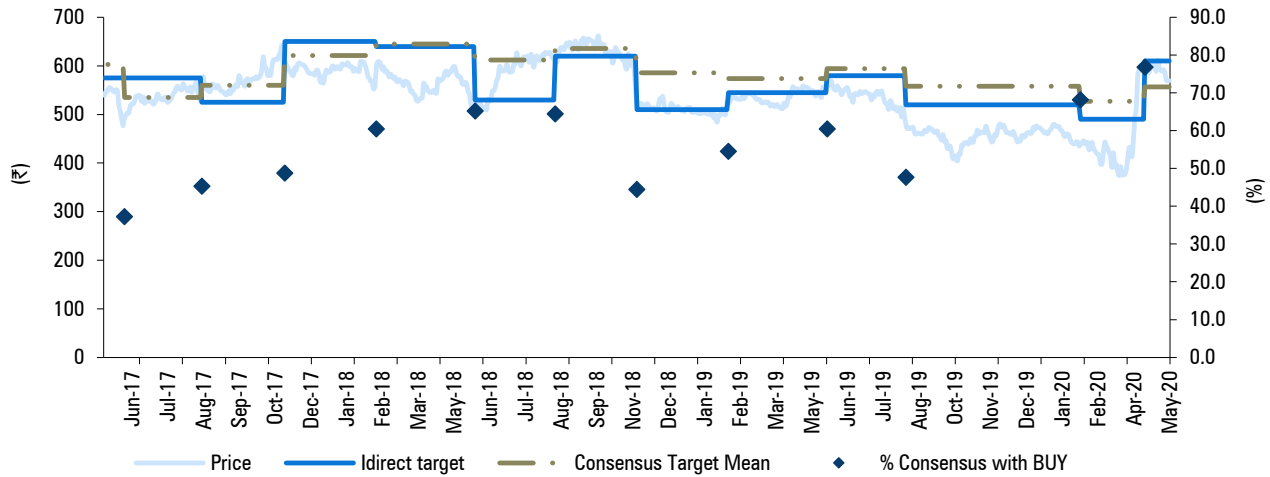
Source: ICICI Direct Research, Company

Exhibit 12: Financial Summary

	Revenues	Growth	EPS	Growth	P/E	EV/EBITDA	RoNW	RoCE
	(₹ crore)	(%)	(₹)	(%)	(x)	(X)	(%)	(%)
FY 19	16362	7.5	18.6	1.3	30.7	15.3	10.0	10.9
FY 20	17132	4.7	19.2	3.4	29.7	14.5	9.8	12.0
FY 21E	18812	9.8	23.0	20.0	24.7	12.9	10.8	13.0
FY 22E	20777	10.4	30.2	31.2	18.9	10.3	12.6	15.4

Source: ICICI Direct Research, Company

Exhibit 13: Recommendation history vs Consensus



Source: ICICI Direct Research; Bloomberg

Exhibit 14: Top 10 Shareholders

Rank	Investor Name	Filing Date	% O/S	Position (m)	Change
1	Hamied Yusuf K	31-Dec-19	20.3	163.97m	0.0m
2	ICICI Prudential Asset Management	31-Mar-20	6.3	50.97m	(1.3)m
3	Ahmed Sophie	31-Dec-19	5.7	45.98m	30.5m
4	Hamied Mustafa Kamil	31-Dec-19	4.3	34.57m	0.0m
5	Life Insurance Corp Of India	31-Dec-19	3.7	30.14m	2.1m
6	First State Investments	30-Jun-19	3.1	25.19m	14.3m
7	HDFC Asset Management Co Ltd	30-Apr-20	2.8	22.34m	(1.6)m
8	Aditya Birla Sun Life Asset Manage	31-Mar-20	2.3	18.82m	1.4m
9	Vaz iralli Samina	31-Dec-19	2.2	17.91m	0.0m
10	SBI Funds Management Pvt Ltd	31-Dec-19	1.7	13.34m	4.1m

Source: ICICI Direct Research; Bloomberg

Exhibit 15: Shareholding Pattern

(in %)	Mar-19	Jun-19	Sep-19	Dec-19	Mar-20
Promoter	36.8	36.7	36.7	36.7	36.7
O thers	63.2	63.3	63.3	63.3	63.3

Source: ICICI Direct Research, Company

Financial Summary

Exhibit 16: Profit & Loss (₹ crore)				
(Year-end March)	FY19	FY20	FY21E	FY22E
Revenues	16,362.4	17,132.0	18,812.1	20,776.6
Growth (%)	7.5	4.7	9.8	10.4
Raw Material Expenses	5,784.5	5,991.4	6,626.0	7,217.5
Gross Profit	10,577.9	11,140.6	12,186.2	13,559.0
Employee Expenses	2,856.5	3,027.0	3,273.5	3,515.7
Other Expenditure	4,624.1	4,907.6	5,366.6	5,815.1
Total Operating Expenditure	13,265.1	13,926.0	15,266.0	16,548.4
EBITDA	3,097.3	3,206.0	3,546.1	4,228.2
Growth (%)	9.6	3.5	10.6	19.2
Depreciation	1,326.3	1,174.7	1,223.9	1,194.9
Interest	168.4	197.4	162.2	109.0
Other Income	476.6	344.2	376.2	415.5
PBT	2,079.1	2,178.2	2,536.3	3,339.8
Total Tax	569.5	631.2	659.4	868.4
PAT before MI	1,509.6	1,547.0	1,876.8	2,471.5
Minority Interest	-3.7	-47.0	-28.2	-12.4
Adjusted PAT	1,496.1	1,546.5	1,855.5	2,434.4
Growth (%)	1.3	3.4	20.0	31.2
EPS (Adjusted)	18.6	19.2	23.0	30.2

Source: ICICI Direct Research; Company

Exhibit 17: Cash Flow Statement (₹ crore)				
(Year-end March)	FY19	FY20	FY21E	FY22E
Profit/(Loss) after taxation	1,485.9	1,329.9	1,855.5	2,434.4
Add: Depreciation	1,326.3	1,174.7	1,223.9	1,194.9
(inc)/Dec in Current Assets	-911.0	-114.3	-1,305.7	-1,066.7
inc/(Dec) in Current Liabilities	-152.5	487.3	82.6	325.6
Others	-57.5	190.9	162.2	109.0
CF from Operating activities	1,691.1	3,068.5	2,018.6	2,997.1
Change in Investment	-1,068.4	1,178.0	-500.0	-1,000.0
(Purchase)/Sale of Fixed Assets	-682.9	-985.7	-500.0	-500.0
Others	62.1	73.2	-35.8	-20.4
CF from Investing activities	-1,689.2	265.5	-1,035.8	-1,520.4
Change in Equity	0.1	0.1	0.0	0.0
Change in Loan	-60.3	-1,760.0	-500.0	-500.0
Dividend & Dividend tax	-284.1	-664.2	-386.4	-276.9
Others	-4.5	-524.7	-162.2	-109.0
CF from Financing activities	-348.7	-2,948.8	-1,048.6	-885.9
Net Cash Flow	-346.8	385.1	-65.9	590.8
Cash and Cash equ. at beginning	965.6	618.8	1,003.9	938.0
Cash	618.8	1,003.9	938.0	1,528.9
Free Cash Flow	1,008.2	2,082.8	1,518.6	2,497.1

Source: ICICI Direct Research; Company

Exhibit 18: Balance Sheet (₹ crore)				
(Year-end March)	FY19	FY20	FY21E	FY22E
Equity Capital	161.1	161.3	161.3	161.3
Reserve and Surplus	14,851.1	15,601.8	17,070.8	19,228.3
Total Shareholders funds	15,012.3	15,763.0	17,232.1	19,389.6
Total Debt	4,316.2	2,816.4	2,316.4	1,816.4
Deferred Tax Liability	425.3	365.2	383.5	402.6
Long Term Provision	121.4	133.3	139.9	146.9
MI & Other Liabilities	802.7	638.7	627.7	633.4
Source of Funds	20,678.0	19,716.6	20,699.6	22,389.0
Gross Block - Fixed Assets	10,795.9	11,917.8	12,417.8	12,917.8
Accumulated Depreciation	4,118.6	5,293.2	6,517.2	7,712.0
Net Block	6,677.4	6,624.6	5,900.7	5,205.8
Capital WIP	676.2	824.5	824.5	824.5
Fixed Assets	7,353.6	7,449.1	6,725.2	6,030.3
Investments	2,616.0	1,595.3	2,095.3	3,095.3
Goodwill on Consolidation	2,869.1	2,934.0	2,934.0	2,934.0
Long term Loans & Advances	49.4	52.4	55.0	57.8
Other Non current assets	776.4	944.4	991.6	1,041.2
Inventory	3,964.8	4,377.6	4,643.1	5,127.9
Debtors	4,150.7	3,891.3	4,860.8	5,368.3
Loans and Advances	6.3	5.6	5.9	6.2
Other Current Assets	1,558.2	1,408.9	1,479.3	1,553.3
Cash	618.8	1,003.9	938.0	1,528.9
Total Current Assets	10,298.8	10,687.3	11,927.1	13,584.6
Creditors	1,948.0	2,281.8	2,281.2	2,519.4
Provisions	736.8	948.2	995.6	1,045.4
Other current liabilities	600.6	716.0	751.8	789.4
Total Current Liabilities	3,285.4	3,946.0	4,028.6	4,354.2
Net Current Assets	7,013.5	6,741.3	7,898.5	9,230.4
Application of Funds	20,678.0	19,716.6	20,699.6	22,389.0

Source: ICICI Direct Research; Company

Exhibit 19: Key Ratios (₹ crore)				
(Year-end March)	FY19	FY20	FY21E	FY22E
Per share data (₹)				
Adjusted EPS	18.6	19.2	23.0	30.2
BV per share	186.5	195.8	214.0	240.8
Cash per Share	7.7	12.5	11.7	19.0
Dividend per share	3.5	4.8	3.4	4.5
Operating Ratios (%)				
Gross Margins	64.6	65.0	64.8	65.3
EBITDA margins	18.9	18.7	18.9	20.4
PAT Margins	9.1	9.0	9.9	11.7
Inventory days	88.4	93.3	90.1	90.1
Debtor days	92.6	82.9	94.3	94.3
Creditor days	43.5	48.6	44.3	44.3
Asset Turnover	0.8	0.9	0.9	0.9
EBITDA conversion rate	54.6	95.7	56.9	70.9
Return Ratios (%)				
RoE	10.0	9.8	10.8	12.6
RoCE	10.9	12.0	13.0	15.4
RoIC	10.3	12.0	13.3	17.3
Valuation Ratios (x)				
P/E	30.7	29.7	24.7	18.9
EV / EBITDA	15.3	14.5	12.9	10.3
EV / Net Sales	2.9	2.7	2.4	2.1
Market Cap / Sales	2.8	2.7	2.4	2.2
Price to Book Value	3.1	2.9	2.7	2.4
Solvency Ratios				
Debt / EBITDA	1.4	0.9	0.7	0.4
Debt / Equity	0.3	0.2	0.1	0.1
Current Ratio	2.9	2.5	2.7	2.8

Source: ICICI Direct Research; Company

Exhibit 20: ICICI Direct Coverage Universe (Healthcare)

Company	I-Direct Code	CMP (₹)	TP Rating	M Cap (₹cr)	EPS (₹)				PE(x)				RoCE (%)				RoE (%)				
					FY19	Y20E	Y21E	Y22E	FY19	Y20E	Y21E	Y22E	Y19/20E	20E/21E	21E/22E	FY19	Y20E	Y21E	Y22E		
Ajanta Pharma	AJAPHA	1499	1,700	Buy	13079	43.5	53.1	64.1	77.2	34.4	28.2	23.4	19.4	21.8	24.2	23.4	24.2	17.1	18.1	18.7	19.3
Alembic Pharm	ALEMPHA	873	875	Buy	16460	31.4	46.3	41.4	39.8	27.8	18.9	21.1	21.9	19.6	20.6	17.7	16.0	21.8	26.3	19.5	16.2
Apollo Hospital	APOHOS	1355	1,490	Buy	18856	17.0	21.5	35.2	65.7	79.9	62.9	38.5	20.6	8.8	10.4	12.6	16.8	7.1	8.1	11.2	17.9
Aurobindo Pha	AURPHA	665	770	Buy	38962	42.1	49.2	54.8	59.4	15.8	13.5	12.1	11.2	15.9	17.8	18.1	17.8	17.7	17.4	16.4	15.3
Biocon	BIOCON	329	390	Buy	39420	6.2	5.8	9.8	18.2	52.9	56.5	33.4	18.1	10.9	10.9	15.1	22.1	12.2	10.4	15.2	22.4
Cadila Healthc	CADHEA	332	375	Hold	34009	18.1	14.3	17.5	20.9	18.4	23.2	19.0	15.9	13.0	10.6	12.1	13.4	17.8	12.9	14.1	14.9
Cipla	CIPLA	570	670	Buy	45980	18.6	19.2	23.0	30.2	30.7	29.7	24.7	18.9	10.9	12.0	13.0	15.4	10.0	9.8	10.8	12.6
Divi's Lab	DIVLAB	2335	2,130	Hold	61992	51.0	49.9	58.4	71.0	45.8	46.8	40.0	32.9	25.5	21.7	21.8	22.8	19.4	16.6	16.9	17.5
Dr Reddy's Lab	DRREDD	3735	3,980	Hold	62063	114.7	106.3	152.8	180.8	32.6	35.1	24.4	20.7	11.1	8.4	14.4	17.1	13.6	11.4	14.4	14.9
Glenmark Phar	GLEPHA	340	340	Hold	9584	26.9	26.8	34.6	43.2	12.6	12.7	9.8	7.9	15.3	12.8	14.5	16.1	13.5	12.0	13.5	14.5
Hikal	HIKCHE	115	160	Buy	1417	8.4	9.6	11.1	13.3	13.7	12.0	10.4	8.6	14.3	13.3	13.6	14.5	13.6	14.1	14.2	14.9
Ipca Laboratori	IPCLAB	1592	1,900	Buy	20110	35.1	55.7	65.6	79.3	45.4	28.6	24.3	20.1	15.0	20.5	21.0	21.6	14.2	19.1	18.9	19.2
Lupin	LUPIN	842	745	Hold	38137	16.5	-29.2	18.3	31.1	50.9	-28.8	46.0	27.1	9.4	9.0	7.9	12.3	5.4	-10.0	6.0	9.3
Narayana Hrud	NARHRU	265	330	Buy	5418	2.9	6.2	8.2	11.4	91.3	42.4	32.4	23.2	7.7	11.6	12.7	15.3	5.5	10.8	12.5	15.1
Natco Pharma	NATPHA	584	650	Hold	10625	34.9	26.9	24.6	23.4	16.7	21.7	23.8	24.9	21.3	14.6	12.7	11.3	18.5	12.6	10.4	9.1
Sun Pharma	SUNPHA	449	510	Hold	107631	15.9	17.6	18.6	23.2	28.3	25.4	24.1	19.3	10.3	10.8	10.7	12.1	9.2	9.4	9.1	10.2
Syngene Int.	SYNINT	338	390	Buy	13528	8.3	10.3	8.6	12.2	40.9	32.8	38.6	27.3	14.8	15.0	12.9	16.4	16.8	15.7	13.7	16.3
Torrent Pharm	TORPHA	2461	2,395	Hold	41653	48.9	54.4	71.8	92.1	50.3	45.3	34.3	26.7	14.2	15.4	18.5	21.3	17.5	17.0	19.2	20.8

Source: ICICI Direct Research, Bloomberg

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